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FABIAN TRACT No. 39.

A DEMOCRATIC BUDGET.

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THE FABIAN SOCIETY.

“He who, as a tradesman, a manufacturer, or an artizan, earns an income by daily work, may run the risk of its diminution to-morrow; and he is unjustly taxed if he is expected to pay as much as the man who has only to take a pair of scissors and clip coupons, or to write a receipt for the tenant who pays him rent.”

—PRINCE BISMARCK, *Feb. 4th, 1881.*

PRICE ONE PENNY.

TO BE OBTAINED OF THE FABIAN SOCIETY, 276 STRAND, W.C.

AUGUST 1892.

A Democratic Budget.

The National Housekeeper.

THE CHANCELLOR OF THE EXCHEQUER is the member of the Cabinet who undertakes the national housekeeping. Every year he has to arrange for the expenses of the Army and Navy, the Civil Service, the administration of justice, national education, and the interest on the National Debt. When he sits down to count up what he will have to spend, he finds that he cannot get out of it under eighty-odd million pounds for the year.

Now, to pay this he has only got some four millions coming in from the profits of the Post Office, the rents of Crown lands, the interest on the shares which England holds in the Suez Canal, and one or two other matters. All the rest he can get only by levying taxes on us. And he cannot, as things stand at present, raise the whole sum by one sort of tax alone. For instance, if he were to try to raise it all by a tax on tobacco, tobacco would be made so dear by the heavy duty needed to make up so huge a sum, that it would be impossible to sell enough to bring in the tax. Suppose, on the other hand, that he were to propose to raise it by a direct tax on the incomes of rich men, the House of Commons, which consists mainly of rich men, would refuse to give him the authority to collect such a tax. Consequently, he has to plan and contrive and calculate how he may best get the money together by getting a little from one sort of tax and a little from another. When he has made up his scheme of taxation, he brings it before Parliament; and it is this scheme which we call the Budget. If Parliament approves, the Budget is put into an Act of Parliament, giving the Chancellor of the Exchequer power to collect the taxes in the Budget with all the authority of the State; so that the collectors and excisemen set about their work with practically irresistible powers of compelling us to pay. There is no appeal against a tax that has been assessed correctly in accordance with Act of Parliament. If any citizen were to resist it on the ground that Governments have no right to confiscate private property for public purposes, or were to describe such a proceeding as "plunder" or "spoliation," or to demand compensation for his loss, or to object on principle to contribute money for such purposes as making war and executing sentences of capital punishment, of which many persons conscientiously disapprove, he would not be listened to for a moment; he would be simply forced to pay exactly as if the tax were a debt which he had voluntarily contracted. The Chancellor of the Exchequer may be the most unscrupulous financier in the world for all the tax collector cares. Once the Appropriation Act passes, it is too late to protest, for that year at any rate. The citizen can only protect himself by looking to

the matter well beforehand, and using his vote so as to prevent unscrupulous financiers from getting into Parliament or into office.

In making up a Budget, a Chancellor of the Exchequer cannot proceed according to his own ideas of fairness. There is no use in his asking for taxes which the members of the House of Commons are unwilling to sanction, or which their constituents will not let them sanction. No Chancellor dare propose a tax that will offend a million voters at the next election, unless it is equally likely to gain over to his party more than a million other voters. And it must be remembered that every tax offends some class of voters. The old taxes on hearths and windows offended everybody, because they had to be paid by everybody; and the same may be said of the present taxes on tea, coffee, cocoa, raisins, beer and tobacco. But taxes on armorial bearings and powdered footmen only annoy the upper classes, and are popular with the masses. The higher the income tax is, the better pleased are all those who are exempt from it, and the more indignant all those whose incomes are above the level of exemption. Generally speaking, too, indirect taxation annoys people far less than direct taxation, because they pay without knowing it. For example, working-men pay a shilling for threehalfpenceworth of tobacco without much grumbling; whereas if a tax collector were to call and demand 10½d. from them every time they bought threehalfpenceworth of tobacco, they would regard it as a most monstrous imposition, though it would not in reality cost them a farthing more than the present system.

These considerations will explain how it is that Budgets are always made up so as to throw the burden of taxation most heavily on those whose votes and political influence the Government has the least reason to fear; whilst the rich and politically well-organised classes are only asked to make up any deficiency which remains when the utmost has been got out of their poorer neighbors. At present, though the votes of the working-classes turn a large majority of the elections throughout the country, yet they are so ill-organised, so easily led away by the fine phrases of the political leaders of the upper classes, and so deficient in any genuine, practical, business-like knowledge of politics and finance, that every year brings us a Budget crammed with anomalies and absurdities, every one of which is in some way advantageous to the powerful property-owning class and injurious to the working-man. The rich are favored at the expense of the poor; the landlords and the capitalists at the cost of their tenants and wage-servants. The national expenditure, instead of being directed exclusively with a view to the public good, is so managed as to afford a large amount of what Cobden rightly described as "outdoor relief" for the poor relations of the aristocracy; whilst the humbler servants of the State often receive only the wages of the sweater's den. The accounts of these matters, instead of being published in a clearly intelligible form, are purposely allowed to remain involved in needless obscurity, lest the public should insist on reforms inconvenient to the permanent officials and their patrons.

"Financial Reform," in fact, means something different in the mouth of every class that professes it. Both Liberals and

Conservatives clamor for it; but each party really does as little as it can in the matter from the working class point of view. Conservative finance is avowedly directed towards a diminution of what the party writers call the "burdens" on land, instead of towards an increased appropriation for the public use of that rent which the labor of the community creates, and which is now pocketed by the idle landlord. Liberal finance is rich in promises as to the conversion of direct into indirect taxation; but it has been, of late, poor in performance. Neither party exhibits any determined intention to bring about that Democratisation of Finance which must, sooner or later, follow the extension of the franchise to the working classes.

In the following pages an attempt is made to give a concise account of the present system of our national finances, together with a program of immediate practicable reform, both in taxation and expenditure, that may fairly be insisted upon from any Chancellor of the Exchequer and any Government professing to act in the interests of the people.

Where the Money Comes From.

The main source of the national revenue to-day is taxation, which is of a dual character—indirect, by means of the duties of Customs and Excise, &c., and direct (*i.e.*, levied directly and avowedly upon the payer himself and not upon the goods he purchases), by means of the Land Tax, Income Tax, Death Duties, &c. The secondary sources of revenue consist of (1) the profits arising out of the Postal and Telegraph Services, and the administration of the Crown Lands—public property which, according to a constitutional fiction, is surrendered by the sovereign in return for the Royal Civil List; (2) dividends on the Suez Canal shares and interest on certain loans; (3) the miscellaneous revenue, which is a financial hotch-potch consisting of a variety of items such as passport and naturalisation fees, fees paid by pedlars and London chimney sweeps, profits on the bronze coinage, sale of waste paper, legal fees, patent fees, Conscience-money, and money paid for admission to the National Gallery, the Tower, South Kensington Museums, &c.

Revenue for the year 1890-1.				Average per Family.			
£				£	s.	d.	
Land Tax	...	...	1,025,000	...	0	2	8½
Income Tax	...	...	13,144,000	...	1	14	9
House Duty	...	...	1,526,000	...	0	4	0½
Death Duties	...	...	7,443,000	...	0	19	8½
Total Direct Taxes ..			23,138,000		3	1	2½
Customs	...	...	19,895,000	...	2	12	8½
Excise	...	...	24,723,000	...	3	5	6
Stamps	...	...	5,970,000	...	0	15	9½
Total Indirect Taxes.			50,588,000		6	14	0

Post Office (net profit)...	3,668,000		0	9	8 $\frac{1}{2}$
Crown Lands	430,000	...	0	1	1 $\frac{1}{2}$
Interest, &c.	242,000	...	0	0	7 $\frac{1}{2}$
Miscellaneous	2,979,000	...	0	7	10 $\frac{1}{2}$
		<hr/>	<hr/>		
Total Net Revenue ...	81,045,000		10	14	6 $\frac{1}{2}$

The Proper Principles of Taxation.

The four canons of a rational and equitable system of taxation laid down by Adam Smith in his "Wealth of Nations," although never fully applied, have been accepted in theory by all economists and Chancellors of the Exchequer since his day as the fundamental principles of an ideal system; and attempts have been made from time to time to make our budgets more nearly conform to this ideal.

Adam Smith asserted that (1) "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to the revenue which they respectively enjoy under the protection of the state. (2) The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor and to every other person. (3) Every tax ought to be levied at the time, or in the manner in which it is most likely to be convenient for the contributor to pay it. (4) Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state."

Moreover, in an advanced and densely populated industrial community, taxation of unearned incomes is the only effective way of reclaiming for the benefit of the whole community "the unearned increment," or advantages derived from natural monopolies.

Taxation as it Now is.

Under our present system of taxation, every one of these rules is set at naught. Not only is there no serious attempt made to secure the unearned increment, but more than two-thirds of the revenue is raised by means of taxes which flagrantly infringe the fundamental principles of equality of sacrifice, certainty and simplicity, convenience, and economy.

In the first place, the revenue from *indirect* enormously exceeds that from *direct* taxes. Out of every twenty shillings we raise in taxes, 14s. 5 $\frac{1}{2}$ d. is collected in the form of Customs and Excise duties. These taxes, though they are spent for the benefit of the whole nation, have to be paid wholly by the consumers of the particular commodities on which they are levied. This system of taxation is condemned in theory by all economists, and indeed by all statesmen when they are in opposition to the Government. Even by statesmen in office it is being gradually abandoned.

In 1842 there were 1200 articles in the English Tariff of Import Duties. Now there are less than fifty. The principal articles which

now contribute to the Customs revenue are beer, mum, spruce, chicory, cocoa, chocolate, tea, coffee, currants, figs, prunes, raisins and other dried fruits, rum, brandy, gin and other spirits, tobacco, cigars, snuff and wine—a sufficiently long list for a country boasting of its adherence to Free Trade principles. The revenue raised from Customs and Excise amounts to £44,500,000 annually, of which £19,300,000 come from spirits, £1,300,000 from wine, £9,400,000 from beer, £9,700,000 from tobacco, £4,200,000 from coffee, cocoa, tea, &c., and dried fruits, and £600,000 from a number of smaller items.

Who Pays the Indirect Taxes.

Taxes upon food and other necessities of life are obviously objectionable, and as a general source of revenue are no longer advocated in this country by practical politicians. The present remnant of these taxes is maintained on the ground that without them the working-classes would not contribute to the taxation of the country at all. But this argument misses the crucial point of modern industrial life. If idle men grow rich on the rents and dividends produced by the labor of workers, it is folly to pretend that the Income Tax paid by such rich men is not contributed by the working classes. It is by the deduction of rent and interest from the worker's share of what he produces that his wages are reduced either to bare subsistence point, when taxation is impossible, or to within such a small distance from it that every addition to his burden in the shape of taxation necessarily tends to render his position more precarious than ever. As Mr. Gladstone once said, the taxes on the earnings of the people “form in no small degree a deduction from a scanty store which is necessary to secure them a sufficiency, I do not say of the comforts of life, but even of the prime necessities of clothing, of shelter, and of fuel.”

But the present Customs and Excise Duties press much more heavily on the poor family than on the rich. From the particulars given in a return of Working Men's Budgets issued in 1889 by the Board of Trade (C—5861), it has been calculated that whilst the income tax payer pays 7½d. in the £, the average artizan purchases his exemption from income tax by paying 15¾d. in the £ in indirect taxation. Tea at 4d. a pound is taxed at the same rate as that sold at one guinea an ounce. For every shilling's worth of tobacco bought by the poor man, 10½d. is tax; whilst the rich man who smokes cigars a 1s. a piece, only pays from 2d. to 6d. tax, because the same rate of duty is paid on the common tobacco as on the finest leaf for making cigars. For every shilling spent on cocoa, 1¾d. goes for the tax; for every shilling's worth of coffee bought, 2½d. is tax; for currants 1d., and for raisins 2¾d.; and these are all articles of daily use among the masses.

The proposal to remedy the admitted grievance of a disproportionate tax on tea and tobacco by the establishment of duties graduated according to value, has always been met by an official declaration that this is impossible. Probably the officials are right;

but this matters little, as such taxes, instead of being tinkered, must be swept away as the last remnant of an antiquated fiscal system. They not only transgress every one of Adam Smith's canons, but are precisely analogous to hundreds of the taxes long ago repealed in the name of Free Trade. They are unequal in their incidence, uncertain in their amount, and costly to collect—in many cases they cannot repay the cost of collection. As a recent writer has pointed out, "it takes the same army of watchers, collectors and superintendents to prevent the revenue being defrauded when the taxes are small as when they are large. No port can be left unwatched; and the fact that so many ports do not yield enough in duties to pay the cost of the staff in charge, is an argument used by many for the total abolition of import duties."

The Evils of Indirect Taxation.

One objection to indirect taxation is that the individual taxpayer has no easy means of ascertaining exactly how much he is paying year by year, and consequently does not feel the burden. The indifference engendered by this fact is the main cause of the maladministration of public funds, and the corruption and extravagance that are more or less characteristic of the public departments and other bodies which spend the nation's money. *If all taxation were direct, every voter would be able to translate into £ s. d. the exact cost to himself of a war or other piece of national policy for which he had voted at an election, and thus his pecuniary responsibility would be brought home to him.* The vast incubus of our National Debt, which was placed upon our shoulders surreptitiously, has been tolerated so long and with so little grumbling only because the interest on it is drawn from indirect taxation. We do not realize that year by year an average of £3 6s. 3d. per family, or 13s. 3d. per person, is being paid as interest on a debt incurred generations ago.

Although the bulk of the revenue arising from indirect taxation is collected by means of the duties of Customs and Excise upon articles in general use, there are a few other forms of this kind of tax that have not even the merit of contributing very largely to the national revenue. The Stamp Duties—other than the Death Duties, which are collected by means of stamps—are many of them insignificant and pettifogging, such as the duty of 2s. 6d. which is payable upon indentures of apprenticeship, a term which includes every writing relating to the service or tuition of any apprentice, clerk or servant placed with any master to learn any profession, trade or employment. Others, such as the legal fees and stamps on various kinds of commercial documents, are obstacles to the free course of justice and unnecessary restrictions on the development of trade and industry.

The host of licences that have now to be paid annually by appraisers, auctioneers, game-dealers, hawkers, pedlars, house-agents, pawnbrokers, refreshment-house keepers, tobacco manufacturers and dealers, plate-dealers, patent medicine vendors, playing-card makers,

cabmen, and London chimney-sweeps, are absurd restrictions on industry, and cost more to collect than they are worth. Whenever a licence is required for registration or other purposes, there should be no fee charged for what is demanded only for the public convenience.

The extent to which industry is hampered and ordinary daily occurrences obstructed by vexatious duties and licences may be illustrated in a homely way:—John Smith, the licensed pedlar, being engaged to be married to Mary Jones, the licensed refreshment-house keeper, purchases the marriage licence, and agrees with a licensed house-agent to take a house—the agreement for which has to be stamped. On the wedding morning, after chaining up his licensed dog, he hires a licensed cab, driven by a licensed cabman, and goes to the chapel licensed for the solemnization of marriages, in the company of his best man, who is a licensed tobacco-dealer. At the chapel they meet the bride, who is accompanied by her uncle the licensed game-dealer, and her aunt the licensed pawnbroker. After the ceremony has been performed, the wedding party adjourns to a licensed hotel where a meal has been prepared, taxed beer being brought for the gentlemen and taxed wine for the ladies. The breakfast over, the gentleman light up their taxed cigars and drink a cup of taxed coffee. The ladies prefer a cup of taxed tea and a slice of wedding cake, every raisin and currant of which has been duly taxed. The bride and bridegroom once more have recourse to the licensed cab to be driven to the station where they take their tickets, on which Railway Passenger Duty has been paid, for the place at which they are to spend their already taxed honeymoon.

It is therefore clear that the establishment of the Free Breakfast Table (the repeal of the taxes paid on tea, coffee, chicory, chocolate and cocoa) about which the Liberals are now talking, must include also the abolition of the duties on currants, figs, raisins, prunes and other dried fruits; and even then the work would be far from complete.*

* For instance, there would remain untouched the taxes on alcoholic liquors, now amounting to £29,000,000 annually. But this question is less within the domain of taxation than within that of local administration. The popular demand for the local control of the drink traffic is strictly on Socialist lines; but there is great need for careful definition of the extent to which Local Option should be carried. The main evil of the drink traffic arises from the fact that the manufacture and sale of alcoholic liquors are in private hands, and that consequently the quality of liquor sold, and the way in which it is sold, are regulated, not by considerations of the public welfare, but entirely for the private profit of those who sell it. To incite their customers to drink as much as possible, and especially to get them to drink the kind of stuff on which there is the largest amount of profit, is the natural aim of every private publican. What is wanted is the establishment of cafés and halls, where, for the expenditure of a few pence, the Englishman may sit and enjoy himself in the same free and comfortable manner as his continental brethren. Let the public house be a place where a man can take his wife and children, and where he shall not be pestered to drink. There is no need to abolish the public house, one of the few remaining incentives to social life; but the public reading room and the music hall should be grafted on to it. Let us municipalize the public-house and the music hall. The promised Parish Councils, as well as the existing Town Councils (and in London the

Direct Taxation.

Our direct taxes do not so glaringly infringe the canons of Adam Smith in principle; but they fall deplorably short of his ideal. They must be simplified, increased, graduated, levied with equity, and with some regard to convenience. The present direct taxes are the Land Tax, the Income Tax, and the Death Duties.

Land Tax.

The history of the Land Tax is a most damning illustration of the fraudulent way in which the Landlord Parliaments of the past have relieved land from the burden of taxation by shifting it on to the backs of the people. There is an absolute consensus of opinion amongst constitutional authorities, that the land of the kingdom is the property of the Sovereign as the head of the State, and that it is inalienable except temporarily and on certain conditions. The right of resumption by the Crown has never been given up. Prior to 1660 the whole burden of military service fell on the landholders of the country.

The State-tenants in the Convention Parliament of Charles II. in 1660 abolished all the conditions upon which they held their land, and, in place of the payments to which they were liable, substituted Excise duties on the drink of the people.

Experience proved that the government of the country required some further source of revenue; and in 1692 it was enacted that a tax of four shillings in the pound should be paid by "every person, body politic or corporate, etc., having any estate in ready monies, or debts owing to them, or having estate in goods, wares, merchandise, or chattels, or personal estate whatsoever within this realm or without." By the third section of the Act the profits and salaries of all persons having office or employment of profit (except naval and military officers) were subjected to the same tax; and then the fourth section proceeds to enact a tax on land: "And to the end that a further aid and supply for their Majesties' occasions may be raised by a charge upon all lands, tenements, and hereditaments with as much equality and indifference as is possible by an equal pound rate of four shillings for every twenty shillings of the true yearly value, be it enacted that all manors, messuages, lands, and tenements, and quarries, mines, etc., tithes, tolls, etc., and all hereditaments of what nature soever they be, shall be charged with the sum of four shillings for every twenty shillings of the full yearly value."

The express enactment, coupled with the rules for assessment, shew that the tax was levied as much upon personal estate as upon land, in fact that it was a general property tax. The valuation of 1692 was most imperfectly made, and is not above suspicion of fraud.

County Council), should have power to establish and maintain a sufficient number of places for the supply of alcoholic drinks, the proceeds going to the benefit of the community. This "municipalization of the public-house" has been in successful operation in Sweden and Norway since 1865. The really "public" house should become, under public management, the poor man's club.

But although the Act of 1692 was the first of the Land Tax Acts, it was not until 1798 that the tax was imposed precisely in the form which has been preserved to the present day.

Up to 1798 the tax was continued by annual Acts of Parliament, the rate varying from four shillings to one shilling in the pound. By two Acts passed in the reign of George III. (38 Geo. III., c. 5 & c. 60) the Land Tax was made perpetual at four shillings in the pound on the valuation of 1692, on all "manors, lands, tenements, hereditaments, mines, ironworks, salt springs and works, parks, chases, warrens, woods, fishings, tithes, tolls, annuities:" that is, on all profits arising out of real property. The amount to be raised was put at £2,037,627. The apportionment of the tax to the various counties of England, Wales, and Scotland is still maintained. Each parish is now charged with precisely the same amount of land tax as was imposed upon it in 1798, except in so far as the tax has been redeemed. In no case is the original four shillings in the £ paid at the present time. The amount paid varies from 9½d. in the £ in Buckinghamshire to 0½d. in Lancashire; or if the proportion is taken by parishes, there are cases in which the rate is as low as a hundredth of a penny in the £. In London the tax varies from nothing at all in Paddington to 11d. in St. Anne's, Soho, and 1s. 3d. in St. Paul's, Covent Garden.

By the operation of the power of redemption upon payment of a lump sum the receipts have dwindled down to little more than £1,000,000. From £3,000 to £4,000 is redeemed every year. The old tax must be got rid of by a compulsory redemption of the outstanding quotas, and the way left clear for dealing with the whole question of the land in the light of modern ideas and knowledge.

The Unearned Increment.

The most pressing point in the land question to-day is how to divert the flow of the unearned increment from the landlords to the community. The increased value of land caused by the growth and concentration of population, local improvements, the discovery of minerals, etc., must be brought into the public pocket.

In London alone the unearned increment during the twenty-one years from 1870 to 1891 amounted to £7,154,844 in annual rental, representing a growth in saleable value of more than one hundred and ten millions sterling, or over four millions sterling every year.

It is obvious that the only final method of appropriating the unearned increment is by the nationalization or municipalization of the land. But as the fee-simple of all the land cannot be appropriated at once, and the matter is one of extreme urgency, some other plan must be put into operation, if the present daily spoliation of the community by the landlords is to be stopped.

Taxation is the only immediately practicable means of tapping the unearned increment.

This is why we must teach our Chancellors of the Exchequer to look upon their Budgets, not merely as means of meeting the necessary expenditure of the community but also, as Bentham long ago

recommended, as instruments for redressing inequality in the distribution of wealth. The special taxation of unearned incomes is the simplest plan of distributing the landlord's rent among the people who create it.

Death Duties.

The restoration of the national property to the community can be materially assisted by means of death duties. The fundamental principle of the limitation of the right of bequest by the taxation of property changing hands at death needs no justification. It has been recognised as a legitimate source of revenue for the last three hundred years. In 1694 there was a fixed payment of 5s. in the case of every estate over the value of £20, which four years later was increased to 10s. In 1779 an *ad valorem* scale was first introduced.

Drastic reform is, however, required to make the present death duties equitable. For, notwithstanding the fact that the commercial classes, as distinct from the landed gentry, have had the political power in their own hands for fifty years, the landlords have managed to keep the tax on land down to the lowest possible point. There are now five death duties going by the names of Probate, Account, Legacy, Succession, and Estate duties. Personal property is charged with Probate or Account duty varying from 2 to 3 per cent. Land pays Succession duty only. The Estate duty is payable upon both real and personal property. An estate consisting of £15,000 in personal property, and descending to lineal descendants, pays £600 in death duties; but if the property be land, the Succession duty only amounts to £189 where one successor inherits the whole, or to £93 if two successors inherit in equal shares.

Legacy duty is charged on the full value of personal property, and has to be paid at once. Succession duty is only charged on the life-interest of the successor: thus, on an estate of the capital value of £10,000, and producing £300 after payment of all outgoings, if the successor be 4 years old, duty will be charged on a capital value of £5,786 8s.; if 21, on £5,159 11s.; if 40, on £4,462 10s.; if 50, on £3,728 18s. 6d.; if 70, on £2,032 7s.; if 90, on £400 7s. In the case of personalty, the Legacy duty would in all these cases be charged on the full £10,000. Above all, the payment of Succession duty is spread over $4\frac{1}{2}$ years. If a second death occurs before the expiration of that time there is a loss to the revenue of the unpaid instalments.

Graduated Death Duties.

All the anomalies of the present death duties must be swept away, and a simple duty applicable equally in cases both of real and personal property must be substituted, and must in every instance be levied upon the capital value of the property. The principle of graduation should be introduced. Estates under the value of £500 should be subject to a nominal tax, if not absolutely exempted; and the relationship of the deceased and the beneficiaries should be dis-

regarded. All property left to the nation or to any national institution should be free, and the existing exemption of the Royal family abolished.

At the present time the different methods of collecting the Probate, Legacy and Succession duties make it difficult to estimate the immediate financial result of their unification. The unified duty might therefore be collected for one year, after which the graduated scale might be introduced.

As a preliminary measure, the present death duties should at once be trebled. The revenue from this source would then be £22,500,000.

Property and Income Tax.

This tax, which is generally called simply the Income Tax, was first imposed in 1798 at the instance of Mr. Pitt, as an "aid and contribution" for the prosecution of the war with Napoleon Bonaparte. In the following year a duty on incomes was imposed at the rate of 10 per cent. All persons were required to make returns of the whole of their income from all sources; exemption was granted to all whose incomes were under £60 a year, and was graduated above that amount. In 1816 the tax was dropped, and not revived until 1842, when Sir Robert Peel reimposed it, not as a war tax, but as a means of meeting a deficit, and in order to afford some relief to the manufacturing industry. Though it is one of the most equitable taxes in existence, it is surrounded by so many vexatious red-tape regulations and accompanied by so much official inquiry into private affairs, that it is perhaps one of the most unpopular, and the most evaded. Although in its present application it contravenes the principle of equality of sacrifice, it may easily be brought into complete harmony with it.

It is now assessed under various heads or schedules:—

- A. Lands, tenements, hereditaments, payable by the owner.
- B. Occupation of lands.
- C. Annuities, dividends, etc.
- D. Trades, professions, employments, etc.
- E. Public Offices, salaries, pensions, etc.

All incomes of under £150 a year are exempt; and from £150 to £400 an allowance is made in respect of £120.

The Income Tax now brings in £13,000,000. The first Income Tax brought in £750,000 for every 1d., whereas now 1d. produces £2,200,000.

Taxation of Unearned Incomes.

The principle of equality of sacrifice demands that the income-tax should be graduated and differentiated. A distinction must be made between those incomes that are earned and those that are unearned, between workers and idlers, poor and rich. "On the whole," said Mr. Goschen in 1889, "I think it will be generally

recognized that it is the men whose fortunes are considerable who pay least in proportion to their aggregate income and property." This disproportion must be remedied.

A fair margin of income, say £400, should be exempted in accordance with the principle already adopted, and the practice of allowing the deduction of life insurance premiums should be continued.

The most feasible method of graduating the tax, and one which would remove the necessity for an elaborate system of repayments, would be an extension of the present abatement. From all incomes proved to depend for their continuance upon the continued personal labor, in any form, of the recipient, an abatement of one-third might be allowed. From the incomes received by persons whose total incomes from every source do not amount to £1,000 per annum, a further abatement of one-third might be allowed. Thus a person receiving £500 per annum from his own exertions would be entitled to an abatement of one-third in respect of the source of his income, and of another one-third in respect of its amount. If the tax, now 6d., were fixed at 1s. 6d. in the £ to begin with, he would pay no more than at present. A man having an unearned income of £900 per annum from investments would now pay £22 10s. as income tax, while under the proposed new tax, being entitled to deduct £300 for an income under £1,000, he would pay £45. A man in receipt of £10,000 from investments would be taxed £750 instead of £250.

What the Budget Ought to Be.

Whilst it is impossible to transform at one blow a system of taxation that is the growth of centuries, removing every anomaly and inaugurating a new financial era, it is quite feasible to make at once some sweeping alterations both in the incidence of taxation, the methods of collection, and the manner and purposes of expenditure; so that the burden now breaking the back of the workers may be shifted on to the broad shoulders of the landlord and capitalist.

The key-note of a Socialist Budget would be the taxation of property and the exemption of labor. Rent and interest would be the sources of revenue for current expenses; and the taxation imposed upon them would be avowedly directed to aid in the recovery of the land and capital for the people. Abnormal salaries and profits should be placed on the same footing as rent and interest. A Socialist Chancellor of the Exchequer in devising new taxes would not only take into account the necessity of providing for the ordinary expenses of the public administration, but would specially consider the efficiency of his proposals in restoring to the common purse some of the national wealth which now annually finds its way into private pockets. Consequently, his first move would be to abolish all those taxes which are not consistent with this general principle.

The following changes are the least which we ought to expect from the very first Budget of a really popular Government:—

Abolition of all Customs and Excise Duties on the of Food the People, and on Tobacco.

Taxes Increased.

	Expected Increase.
Probate, Succession and Legacy, &c., Duties.	
The duty on real property to be made identical in rate and mode of assessment with the duties on personal property, and the present rate trebled	£15,000,000.
Income Tax.	
The rate to be one shilling and sixpence in the £, or treble the present rate.	
The expected yield is as follows:—	
Present nett assessments	£561,000,000
Add income exempt and abated under present assessment	108,000,000
	<u>£669,000,000</u>
Deduct Estimated amount of incomes not exceeding £400 per annum (to be wholly exempted)	£108,000,000
Estimated amount of earned incomes, £282,000,000 (to abate one-third)	94,000,000
Estimated amount of incomes over £400 and not exceeding £1,000, £393,000,000 (to abate one-third)	131,000,000
	<u>333,000,000</u>
Proposed nett assessment	336,000,000
Proposed yield at 1/6 in the £... ..	25,200,000
Deduct Present yield	13,144,000
	<u>12,056,000.</u>
Total Increase	£27,056,000.
Estimated Surplus, £6,144,400.	

The First Step towards Taxation Reform.

The great obstacle in the way of taxation reform is the composition of the House of Commons, which votes the taxes, and which at present consists mainly of landlords and capitalists. As long as the wealthy classes possess a practical monopoly of Parliamentary representation, no really thorough-going measures for the readjustment of the taxes will be carried. Until laws are passed for the PAYMENT OF MEMBERS, and of their election expenses, it will be impossible for the workers to send to the House of Commons men who are not pecuniarily interested in exempting property from taxation at the expense of labor. No Parliamentary candidate should be supported who will not pledge himself to vote for this elementary reform. Insist on a pledge to press for

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